

BN's Victory Will Ensure Continuation Of Malaysia's Pro-growth Policy, Says Moody's
Bernama
7 May, 2013
By Tengku Noor Shamsiah Tengku Abdullah

JOHOR BAHRU, May 7 (Bernama) -- Barisan Nasional (BN)'s retention of government assures the continuation of Malaysia's pro-growth policy, an outcome which is credit positive, for the sovereign rating and the ratings of government-related issuers (GRIs), says Moody's Investors Service.

In a commentary on the just concluded 13th General Election, it said BN managed to retain its majority in Malaysia's (A3/Stable) parliamentary election of 5 May, winning 133 of 222 seats in the national legislature.

"With growth policies intact, the government is set to continue, if not accelerate, the development initiatives under its Economic Transformation Programme (ETP)," it said.

The ETP has been particularly successful in reviving private investment.

Since its promulgation in 2010, private gross fixed-capital formation averaged annual growth of 16.6 per cent from 2010 to 2012, up from 2.9 per cent in the five years between 2005 and 2009.

According to Moody's, budgetary support for household consumption has further bolstered domestic demand, providing a significant offset to the relative weakness in net exports, in view of Malaysia's heavy reliance on external trade.

Similarly, the removal of election uncertainty -- coupled with additional fiscal transfers promised during the campaign -- should help sustain the momentum of investment and economic growth over the next two years.

Subsidy reform, in light of existing direct cash transfer programmes to the poor and strong public pronouncements, signals the prime minister's desire to bring about change.

In the near-term, Moody's said the government would continue to conduct fiscal policy in line with prevailing rules, including the requirement that current expenditures cannot exceed current revenues, as well as the 55 per cent debt ceiling for direct government obligations.

Notably, Moody's said the BN's victory helps to preserve the status quo with regards to GRIs.

With regard to Petronas in particular, Moody's said petroleum-related income has typically exceeded 30 per cent of total federal government revenue.

The preservation of Petronas's dominance in the domestic oil & gas sector would be supportive of the health of government finances, it added.

Petronas has been lobbying the government to reduce its annual dividend payout, in light of its ambitious capital expenditure programme and recent acquisitions, to conserve its financial flexibility.

It has proposed a dividend of RM27 billion in respect of the fiscal year ending 31 December 2012 - meaning a payout ratio of 50 per cent -- and slightly less than the RM30 billion paid annually from financial year 2009 until end-2011.

Petronas' dividend payout reached a high of 74 per cent of its net profits for the financial year ended March 31, 2010.

As Petronas' only shareholder, Moody's said the government controls all corporate matters that requires shareholder consent, including approval of dividends and appointment of its chairman and board of directors.

-- BERNAMA

Copyright © 2013 BERNAMA

Source: <http://www.bernama.com/bernama/v7/newsindex.php?id=948014>